

Message Text

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PAGE 01 LONDON 12239 251901Z
ACTION EUR-12

INFO OCT-01 EA-09 NEA-10 IO-14 ISO-00 AID-05 CIAE-00
EB-08 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 PA-02 PRS-01 /130 W
-----069915 260051Z /64

R 251721Z JUL 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6452
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY TEHRAN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

UNCLAS LONDON 12239

USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY
USMTN

DEPARTMENT PASS FEDERAL RESERVE BOARD

TREASURY FOR DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: UK WILL NOT DRAW DOWN FINAL TRANCHE OF IRANIAN
CREDIT

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PAGE 02 LONDON 12239 251901Z

1. HMTREASURY ANNOUNCED TODAY THAT THE FINAL TRANCHE OF
THE \$1.2 BILLION CREDIT FROM IRAN WOULD NOT BE DRAWN.
THE PRESS SPECULATES THAT THE DECISION IS MUTUALLY AGREE-
ABLE IN LIGHT OF THE EASING FOREIGN EXCHANGE REQUIREMENTS
OF THE UK AND THE INCREASING ONES OF IRAN. THE TREASURY
ANNOUNCEMENT FOLLOWS.

2. QUOTE. A MEMORANDUM OF UNDERSTANDING BETWEEN THE TREASURY AND THE IRANIAN GOVERNMENT THAT WAS CONCLUDED IN JULY 1974 PROVIDED FOR LOANS BY UK NATIONALIZED INDUSTRIES TOTALLING \$1.2 BILLION OVER THE FOLLOWING 3-YEAR PERIOD. LOANS TOTALLING \$800 MILLION WERE DRAWN BY THE NATIONAL WATER COUNCIL IN 1974 AND 1976 AND MADE MATERIAL CONTRIBUTION TO MEETING UK EXTERNAL FINANCING NEEDS DURING THE RECENT PERIOD OF HEAVY EXTERNAL DEFICITS. BUT CIRCUMSTANCES HAVE NOW CHANGED WITH THE SUBSTANTIAL NARROWING IN THE UK CURRENT ACCOUNT DEFICIT, THE SURPLUS THAT IS IN EARLY PROSPECT, AND THE STRENGTHENING IN THE EXTERNAL FINANCIAL POSITION IN OTHER RESPECTS. IN THE SITUATION, HMG HAS INDICATED TO THE IRANIAN AUTHORITIES THAT, ALTHOUGH PROVISION FOR THE THIRD TRANCHE OF THIS LOAN IS UNDERSTOOD TO HAVE BEEN MADE BY IRAN. IT NOW SEEMS INAPPROPRIATE TO MAKE ANY FURTHER CALL ON THIS FACILITY. THE THIRD TRANCHE OF \$400 MILLION WOULD ACCORDINGLY NOT NOW BE DRAWN. END QUOTE

BREWSTER

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NNN

Message Attributes

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Sent Date: 25-Jul-1977 12:00:00 am
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Disposition Approved on Date:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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